

77-5350

SECRET

Executive Registry

27 SEP 1977

77-1312/8

MEMORANDUM FOR: Acting Deputy Director of Central Intelligence  
VIA: Acting Deputy Director for Administration  
FROM: James H. McDonald  
Director of Logistics

SUBJECT: Relationships with Agency Contractors ☐

25X1

REFERENCES: (a) Memo to A-DDA fm A-DDCI by ☐  
same subject ☐

25X1

(b) Memo to A-DCI, dtd 16 Aug 77, fm A-DDA,  
same subject ☐

25X1

(c) Memo to A-DCI, dtd 11 Aug 77, fm A-DDA,  
same subject ☐

25X1

1. ☐ Action Requested: It is requested that you sign the Attachment 1 memorandum to the Deputy Directors of CIA which establishes Agency policy on responding to non-Agency, non-U.S. Government contractor requests for guidance on marketing or distribution of products developed under Agency contracts.

2. ☐ Background: This memorandum addresses two discrete subjects, i.e., (a) the handling of QRC's, and (b) requests by contractors for Agency comment on nonofficial transactions, which are related only in that they impact on relationships with our contractors. An Inspector General (IG) report of 2 May 1977 (not referenced above) on the ☐ case contained information that the Agency's comments had been sought and provided on certain private transactions of an Agency contractor. Other transactions ☐ involved Agency QRC procedures.

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SUBJECT: Relationships with Agency Contractors ☐

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As a result of these cases, the Deputy Director of Central Intelligence directed that a task force develop a policy concerning requests by Agency contractors for comment on such transactions. The task force included representation from the Offices of the Inspector General, Logistics, Security, General Counsel and the DD/S&T.

The reference (a) memorandum was proposed by the task force chairman for issuance by the then DDCI (Mr. Knoche) as a statement of policy on the subject. Said memorandum was referred by the A-DDCI to the A-DDA for review and comment prior to signature. Requested comment was provided by reference (b). Additional comment, also at the request of the A-DDCI, was provided by reference (c).

Reference (a) proposed that contractor requests for guidance on non-Agency, non-U.S. Governmental transactions be referred to the Offices of Logistics and General Counsel for a joint response. References (b) and (c) recommended that such responses be made by the office head or deputy director concerned since they are most knowledgeable on matters of classification and/or sensitivity on their products. The entire matter was ultimately referred back to this Office for preparation of a policy statement which would reflect task force findings as modified by references (b) and (c), and development of a procedure for handling Quick Reaction Contracts.

25X1 3. ☐ Staff Position: We agree with the findings of the task force as modified by references (b) and (c), and have developed an appropriate policy statement for dissemination to the CIA deputy directors. The basic points covered in the statement are: (a) Questions from contractors on non-Agency, non-U.S. Government transactions which relate in any way to an Agency contractual relationship should be referred to the cognizant contracting officer for reply. (b) Questions on non-Agency, non-U.S. Government transactions without contractual implication should be referred to the office head or deputy director concerned for a direct reply. (c) All contractor queries merit a response, and (d) Contractors seeking legal advice should be referred to their own counsel.

SUBJECT: Relationships with Agency Contractors ☐

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We further agree with the task force and the Inspector General that some tightening up in the handling of Quick Reaction Contracts is in order. A Procurement Note is attached for your information which establishes the recommended procedure. The basic difference between this new procedure and previous practice is that it requires that authority to expend money or do work go only from the contracting officer rather than from the contracting officer's technical representative. The Procurement Note, as directed by reference (c), has been coordinated with our contracting officers and with the DD/S&T.

Signed: James H. McDonald

James H. McDonald

Attachment

Distribution:

Orig - Addressee w/att  
1 - ER w/att  
1 - A-DDA w/att

TAB

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Next 3 Page(s) In Document Exempt

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44 1512/4

MEMORANDUM FOR: Acting Deputy Director for Administration

FROM: John F. Blake  
Acting Deputy Director of  
Central Intelligence

SUBJECT: Relationships with Agency Contractors

1.. An IG report of 2 May 1977 on the [ ] case contained information that the Agency's comments had been sought and provided on certain private transactions of an Agency contractor. As a result of this report, Hank Knoche asked [ ] to assemble a task force to recommend a policy concerning requests by Agency contractors for our comment on such transactions.

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2.. The task force's report is attached. It provides additional background on the issues the task force examined and contains recommendations concerning both requests for our comment by Agency contractors and the need for safeguards in the administration of quick reaction contracts. After review of the report and recommendations I have decided that:

a. all requests by Agency or other contractors for our comment on non-Agency, non-U.S. Government transactions should be referred to the Offices of Logistics and General Counsel for a joint response; and,

b. we should require that all contracting officer technical representatives (COTR's) notify their contracting officers and immediate supervisors promptly following any verbal request to a contractor by the COTR for initiation of work or performance under a quick reaction contract. The notification by the COTR should be in writing.

3. Please prepare an appropriate issuance for my signature which will provide notification of this policy and require that it be incorporated in Agency regulations.

John F. Blake

Attachment

cc: DDS&T

GC

IG

Task Force Members

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25X1 Orig by: [REDACTED] (2 August 1977)

Distribution:

1-A/DDA

1-GC

1-IG

1-C/Log

1-EA/DDS&T

1-C/DC/OS

25X1 1- [REDACTED]

1-A/DDCI

25X1 1- [REDACTED]

1-ER



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File

Registry  
Contracts

DDA 77-4599

16 August 1977

MEMORANDUM FOR: Acting Director of Central Intelligence  
FROM: Michael J. Malanick  
Acting Deputy Director for Administration  
SUBJECT: Relationships with Agency Contractors  
REFERENCE: Memo for ADCI from ADDA, dated 11 August  
1977, Same Subject

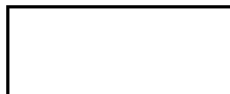
In answer to your questions:

1. "But that may have been what caused the problem."

Answer: We don't believe so. Logistics would find itself in a position where it would still have to go back to the appropriate technical component for their advice and, while Logistics is perfectly willing to interface with the contractor, as is OGC, the ultimate responsibility for the appropriate response lies within the operating component and the contractor, himself.

2. "Have you checked this procedure out with the Directorates?"

Answer: No, we have not done so as yet, but would do so before we went ahead and implemented our proposal. They may balk at such an arrangement because they might consider it a hindrance to them in their quick reaction capability; but, inasmuch as the contracting officers are part of the team, this should not prove to be a real obstacle. You should note that this was the initial proposal to come out of the DDCI's office.



Michael J. Malanick

Attachment  
Reference

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11 AUG 1977

DD/A Registry  
77-4536

Executive Registry  
77-1312/5

MEMORANDUM FOR: Acting Director of Central Intelligence  
FROM: Michael J. Malanick  
Acting Deputy Director for Administration  
SUBJECT: Relationships with Agency Contractors ☐ 25X1  
REFERENCE: Undated memo proposed for A-DDCI  
signature, same subject

Jack:

25X1 1. ☐ I have discussed the referent memo with the Director of Logistics who advises that both he and the Associate General Counsel, Office of Logistics (AGC/OL), have objections to paragraph 2.a. which requires OL and the Office of General Counsel (OGC) to respond to all contractor requests for comment on non-Agency, non-U.S. Government transactions. Both OL and OGC feel that the deputy director or office head concerned is in a better position to comment on such requests. In the case of ☐ which I believe prompted this proposed policy statement, only the Office of Technical Service and the DDO were in a position to state if the items were classified or being utilized currently in operations. In addition, the type of questions contemplated usually involves the use or transfer of technology for commercial purposes, and only the technical or operational component has the necessary understanding of the operational sensitivity or security implications. For those questions which raise the specter of improprieties, illegalities, or sinister use of an item, of course the Offices of Logistics and General Counsel are available for consultation. However, the contractor should be advised to consult his own attorney since any comment we might offer cannot be considered as binding on other agencies or departments of the U.S. Government.

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25X1 2. ☐ I believe the above makes common sense and, in fact, is the way such things are handled presently.

This memo may be downgraded to Confidential upon removal of attachment.

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SUBJECT: Relationships with Agency Contractors ☐

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However, I have instructed the Director of Logistics to prepare a policy statement for your signature reminding the directorates of their responsibilities in these types of matters and to incorporate it in an appropriate regulation issuance.

25X1 3. ☐ I see no objections to paragraph 2.b. of the referent. However, since it is proposed to establish the requirement for immediate notification by the COTR's of his supervisor and Contracting Officer (CO) of any verbal request he makes to a contractor to start work, I suggest we carry it one step further and limit such requests or authorizations to the CO. In this way we ensure the loop is closed, and the authorization is both proper and legal. If you concur in this approach, I will direct the Director of Logistics to issue a Procurement Note to all CO's to amend all existing contracts to eliminate provisions which provide for anyone other than the contracting office to authorize work and that all contracts in the future will not include such provision.

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☐  
Michael J. Malanick

Attachment:  
Reference

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## ROUTING AND RECORD SHEET

Executive Registry

77-1312/11

SUBJECT: (Optional)

FROM:

Acting DDA  
7D24 Headquarters

EXTENSION

NO.

DDA 77-5350

DATE

11 OCT 1977

TO: (Officer designation, room number, and building)

DATE

RECEIVED

FORWARDED

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

1. Acting Deputy Director of Central Intelligence

Jack:

Re your attached note on the Procurement Note, the "Boiler Plate" or General Provisions of all contracts presently contains language which establishes the Contracting Officer as the sole authority for initiating work. The problem comes when the schedule of the contract (which takes precedence over the General Provisions) is sometimes written to provide for other than Contracting Officer authorizations. The Procurement Note reflects the necessary direction and administrative advice to contracting officers that such practices are to be discontinued, and they are to assume and be the sole authority for initiating contract work.

Michael J. Malanick

Att

I understand you spoke to Jim McDonald and have indeed agreed to sign the memorandum to the Directorates on this matter.



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